

FDIC State Profile

Winter 2004

Maryland and Washington, D.C.

Employment growth in Maryland and the District of Columbia outperformed the nation. Maryland's job growth rate ranked 13th highest in the nation.

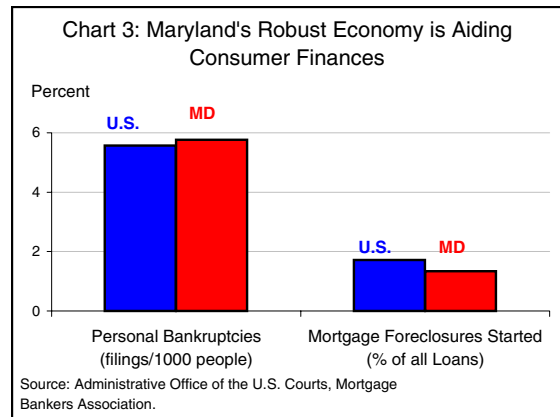
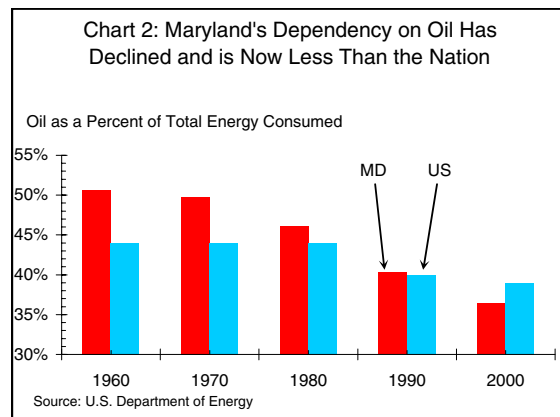
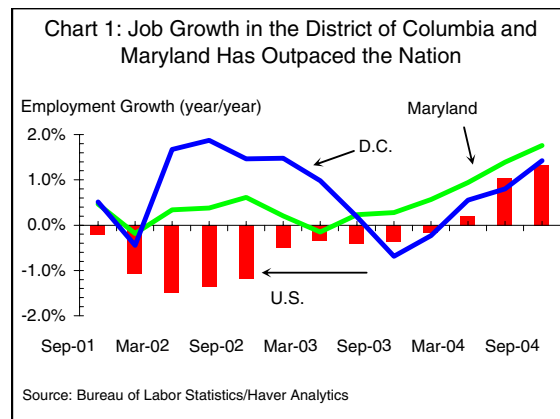
- The federal government is a key economic driver of the District of Columbia (D.C.) and Maryland. Although the federal government has not added jobs locally in 2004, increased spending for homeland security has boosted payrolls of legal, accounting, and consulting firms. With continued federal spending and an expanding U.S. economy, the area should remain robust into 2005 (See Chart 1).
- Baltimore's** job growth rate trended up during 2004 and ranks among the top quartile of U.S. metro areas. Like D.C., Suburban Baltimore is benefiting from increased spending on security issues. In addition, Johns Hopkins University research gives the city an edge in the biotech industry. **Hagerstown's** proximity to Baltimore and D.C. and its low cost of doing business and reasonable housing prices have helped its economy.

Maryland is less dependent on oil than the nation.

- Maryland has reduced its dependency on oil and, unlike twenty years ago, is now less dependent than the U.S. average (See Chart 2). Maryland has increased its reliance on natural gas and nuclear power, which have substituted for oil. In addition, Maryland benefits from a mass transit system and a greater population density, which contribute to its lower oil dependency.

Maryland's strong economy is helping consumer finances.

- Maryland's employment growth and rapid house-price appreciation are strengthening household finances. Maryland's per capita bankruptcy rate has declined since 2001 but remains slightly higher than the U.S. average (See Chart 3). Mortgage foreclosure rates also have declined and remained below the national average. Consistent with the strong economy, Maryland's institutions reported the 11th lowest consumer loan delinquency rate in the nation.



State Profile

Washington D.C.'s tourism industry has rebounded following declines in 2001.

- Washington, D.C.'s tourism industry has recovered since 2001 (See Chart 4). Through third quarter 2004, the hotel occupancy rate was at its highest third-quarter level since 2000, and at 74.3 percent compared favorably with the 68.5 percent average for the nation's major markets. Revenues per room also have improved.

Strong home price growth has fueled home equity and construction loan growth.

- Maryland and Washington D.C. continue to experience strong home price appreciation. Price appreciation rates in the District of Columbia and Maryland ranked the fourth and sixth highest among U.S. states in third quarter 2004.¹ Second home buying has contributed to demand in areas such as Maryland's eastern shore.
- High home price appreciation has accompanied strong growth in home equity and construction loans among the area's community banks (See Chart 5). Growth in home equity loans reflects build-up of equity and consumer preference for tax-advantaged debt.
- The area's insured institutions report low home equity loan delinquency rates, consistent with national trends; however, higher interest rates could pressure some consumers, particularly those with higher levels of variable rate debt.

Maryland and Washington, D.C. institutions reported a slight increase in return on assets (ROA), but funding costs are on the rise.

- The median ROA increased slightly in third quarter 2004, largely the result of an increase in the net interest margin.² Increased asset yields offset higher median cost of funds (COF). Reflective of rising short-term interest rates, third quarter 2004 marked the first increase in COF in 14 quarters.

New branch activity was modest during the past decade, but the competitive landscape has changed.

- Maryland and Washington, D.C. experienced bank consolidation during the past ten years as the number of head banking offices declined, similar to the national trend.
- The number of branches in the state closely approximates the number of branches ten years ago, however, the number of branches held by out-of-area banks has

increased during the past several years (See Chart 6). Deposit market share of out-of-area institutions also has increased from 40 percent in 2000 to 59 percent in 2004. The presence of large institutions may alter the competitive landscape for deposits.

Chart 4: Washington D.C.'s Hotel Occupancy and RevPar Rates Have Improved

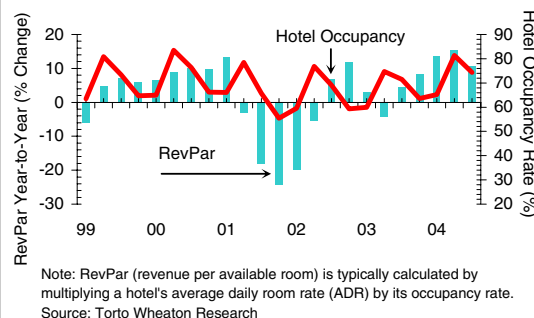


Chart 5: Home Equity and Construction Loan Growth Has Been Strong in Maryland/D.C.

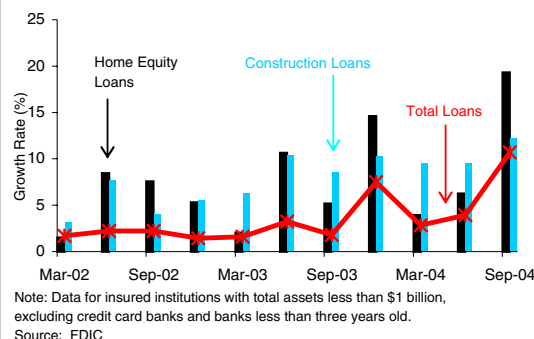
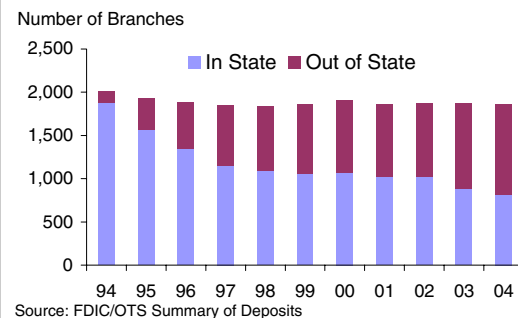


Chart 6: Control of Branches in Maryland/D.C. Has Shifted to Out-of-State Institutions



¹Office of Federal Housing Enterprise Oversight (OFHEO). OFHEO House Price Index: Housing Price Gains Continue to Accelerate. December 1, 2004.

²Includes FDIC-insured institutions headquartered in Maryland and Washington, D.C. excluding banks less than three years old and credit card banks, unless otherwise noted.

Maryland at a Glance

General Information	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Institutions (#)	120	129	134	138	146
Total Assets (in thousands)	46,376,972	45,819,996	60,110,934	55,667,011	55,766,514
New Institutions (# < 3 years)	5	1	6	6	9
New Institutions (# < 9 years)	15	11	13	14	14
Capital	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Tier 1 Leverage (median)	9.20	9.19	10.09	10.25	10.24
Asset Quality	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Past-Due and Nonaccrual (median %)	1.09%	1.40%	1.51%	1.70%	1.61%
Past-Due and Nonaccrual >= 5%	4	11	12	13	11
ALLL/Total Loans (median %)	0.94%	1.05%	1.08%	1.13%	1.07%
ALLL/Noncurrent Loans (median multiple)	2.12	2.03	1.88	1.91	1.81
Net Loan Losses/Loans (aggregate)	0.07%	0.11%	0.30%	0.24%	0.25%
Earnings (Year-to-Date Annualized)	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Unprofitable Institutions (#)	11	11	19	18	17
Percent Unprofitable	9.17%	8.53%	14.18%	13.04%	11.64%
Return on Assets (median %)	0.84	0.84	0.73	0.69	0.82
25th Percentile	0.43	0.40	0.47	0.35	0.45
Net Interest Margin (median %)	3.74%	3.77%	3.95%	3.97%	4.19%
Yield on Earning Assets (median)	5.28%	5.56%	6.45%	7.53%	7.89%
Cost of Funding Earning Assets (median)	1.66%	1.95%	2.63%	3.78%	3.82%
Provisions to Avg. Assets (median)	0.03%	0.07%	0.06%	0.07%	0.08%
Noninterest Income to Avg. Assets (median)	0.51%	0.62%	0.55%	0.51%	0.51%
Overhead to Avg. Assets (median)	2.79%	2.66%	2.74%	2.76%	2.87%
Liquidity/Sensitivity	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Loans to Deposits (median %)	85.50%	78.63%	80.49%	83.30%	85.65%
Loans to Assets (median %)	70.29%	65.10%	66.27%	69.78%	69.46%
Brokered Deposits (# of Institutions)	30	23	23	25	25
Bro. Deps./Assets (median for above inst.)	5.10%	5.40%	4.25%	2.72%	2.89%
Noncore Funding to Assets (median)	19.89%	18.77%	17.60%	15.88%	15.43%
Core Funding to Assets (median)	68.21%	70.33%	70.37%	71.74%	72.19%
Bank Class	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
State Nonmember	40	43	43	43	46
National	14	15	15	18	21
State Member	16	18	18	16	14
S&L	13	13	15	17	17
Savings Bank	35	38	41	42	46
Stock and Mutual SB	2	2	2	2	2
MSA Distribution	# of Inst.	Assets	% Inst.	% Assets	
Baltimore MD PMSA	66	25,852,585	55.00%	55.74%	
Washington DC-MD-VA-WV PMSA	30	12,532,200	25.00%	27.02%	
No MSA	16	4,927,661	13.33%	10.63%	
Wilmington-Newark DE-MD PMSA	5	1,372,767	4.17%	2.96%	
Hagerstown MD PMSA	3	1,691,759	2.50%	3.65%	